

Road Reconstruction Is Costly

High Street underwent complete reconstruction, from Main Street to Pleasant Street, during 2015. The project cost approximately \$1 million to complete. The City received a \$280,000 grant from the Community Development Block Grant program to assist with roadway construction costs.

Neighborhood Road Repairs Go Unfunded

Funding is not available for resurfacing of many roads in our community's neighborhoods. These roadways are 10-15 years old and continue to deteriorate.

Many roads in the City remain unbudgeted in the City's Five-Year Capital Improvement Plan. This means it will be longer than five years before these roads will be resurfaced and repaired. In several instances, the roads in these neighborhoods have already reached failure, which results in higher long-term costs.

Additional Information

Additional Information is available on the City’s website @ **www.lebanonohio.gov**

- 2016 Operating Budget
- 2017-2021 Capital Improvement Plan



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Lebanon, OH 45036

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City Council Meetings

Legislation to implement the proposed tax credit reduction will be addressed at the August 9 and August 23, 2016 City Council meetings. The meetings begin at 7:00 pm in the City Building, 50 S. Broadway.

Contact Us

If you have questions about the income tax credit reduction, please contact your City Council representatives, or the City Manager

Email City Council citycouncil@lebanonohio.gov	Phone	
	Mayor Amy Brewer:	513-550-5544
City Manager Pat Clements pclements@lebanonohio.gov	Vice-Mayor Mark Messer	513-763-0706
	Jeffrey Aylor	513-515-3016
	James Dearie	513-505-6631
	Stephen Kaiser	513-932-9943
	Wendy Monroe	513-309-5519
Mail Lebanon City Council 50 S. Broadway Lebanon, OH 45036	Jim Norris II	513-267-7405

City Manager’s Office: 513-228-3101



July 1, 2016

Dear Citizens of Lebanon,

After careful consideration, the Lebanon City Council has determined that action must be taken to address the City’s extensive, and growing, backlog of roadway maintenance requirements resulting from an annual general revenue shortfall of \$1.5 million.

In order to generate a portion of the required additional revenue, the City Council is considering legislation that will reduce the City’s income tax credit for taxes paid to other municipalities by ½ %. This reduction to the full tax credit will generate approximately \$800,000 in annual general revenue and allow the City to significantly reduce the backlog of immediately required road repairs.

Many Lebanon residents will not be affected by this reduction in the income tax credit, but others, particularly those who are employed in cities such as Cincinnati or Dayton, which have higher municipal income tax rates than Lebanon, will see their municipal income tax withholdings increase in 2017 by ½ % of their taxable income (\$250 for an individual earning \$50,000 a year). Residents who are retired or work in Lebanon will not be affected by the credit reduction. A complete explanation of the income tax credit reduction, and how it may affect you, is provided in this informational mailing.

The City has taken many measures to reduce costs in an effort to address the revenue shortfall. These actions include a reduction of 29 full time staff positions, the increased use of shared services with other governments, and postponing needed infrastructure projects. Since 2002, the City Council has placed five general revenue measures on the ballot for Lebanon residents to consider, but none of those measures passed. Those general revenue measures would have raised needed revenues, while leaving the full credit intact. It is the City Council’s judgment that further service reductions and delays in roadway maintenance projects will have significant negative impacts on our community’s quality of life.

Lebanon’s situation is not unlike many other municipalities in Ohio, which have a largely residential tax base. Most of Lebanon’s general revenue, which is the primary source of revenue available for roadway maintenance and repair, is the City’s 1 % municipal income tax. Lebanon’s income tax rate, which has not been increased since its inception in 1971, remains one of the lowest tax rates in Warren County, and is well below the average tax rate for Southwest Ohio. Along with other cities, Lebanon has been adversely affected by decreased funding from the State as the State addressed its own budget shortfalls, and the discontinuation of the Estate Tax and Tangible Property Tax. These revenue losses comprised 8 % of Lebanon’s total general revenue in recent years.

As your representatives, this has been an extremely challenging issue for the City Council. We encourage you to carefully read the information provided in this document and contact us with your questions or comments. Legislation to implement the tax credit reduction will be addressed at the August 9 and 23, 2016 City Council meetings and you are encouraged to attend.

Sincerely,

The Lebanon City Council

Reducing the Municipal Income Tax Credit: What it means for you

Like most Ohio cities, Lebanon’s general revenues come primarily from the local income tax. Ohio cities are permitted to collect this tax from two groups: 1) people who live in the city 2) people who work in the city, but live elsewhere. To provide residents who work in other cities with some level of tax relief, Lebanon grants these individuals with a credit for the taxes they pay in the cities where they work, as long as the tax rate in the other city is equal to, or greater than, Lebanon’s 1 % tax rate.

For example: Lebanon residents who work in Cincinnati pay a 2.1% income tax to Cincinnati, but in Lebanon, they receive a full income tax credit for those taxes paid to Cincinnati. None of the income taxes collected by another city are paid to Lebanon.

Since Lebanon is primarily a residential community with many of its residents working outside the City, the cost of providing the full tax credit is significant. Lebanon currently provides about \$1.6 million in tax credits annually.

Effect of the Income Tax Credit Reduction on Lebanon Residents

Example	Lebanon Income Tax Paid Now	Lebanon Income Tax Paid in 2017
Lebanon resident works in Lebanon and earns \$50,000 per year	\$500	\$500 <i>(No change)</i>
Lebanon resident works in Cincinnati or Dayton and earns \$50,000 per year	\$0	\$250

How does Lebanon’s income tax rate compare to other communities?

Income Tax Rates in Warren County			
	City	Rate (%)	Credit (%)
Lebanon’s 1% tax rate, and full credit for taxes paid to other municipalities, is one of the lowest tax rates in Warren County. Four other municipalities in Warren County already provide less than a full credit.	Franklin	2.00	Full
	Middletown	1.75	Full
	Carlisle	1.50	Full
	Monroe	1.50	Full
	Springboro	1.50	1.0
	Mason	1.12	Full
	South Lebanon	1.00	.5
	Morrow	1.00	.5
	Maineville	1.00	.5
	Lebanon	1.00	Full
	Loveland	1.00	Full

Costly City Services are Funded from General Revenue Fund

Police and roadway maintenance comprise the two most expensive services funded with general revenue. By reducing the tax credit, the cost of City services supported with general revenue will be shared by more of the residents who use, or benefit from, those services.

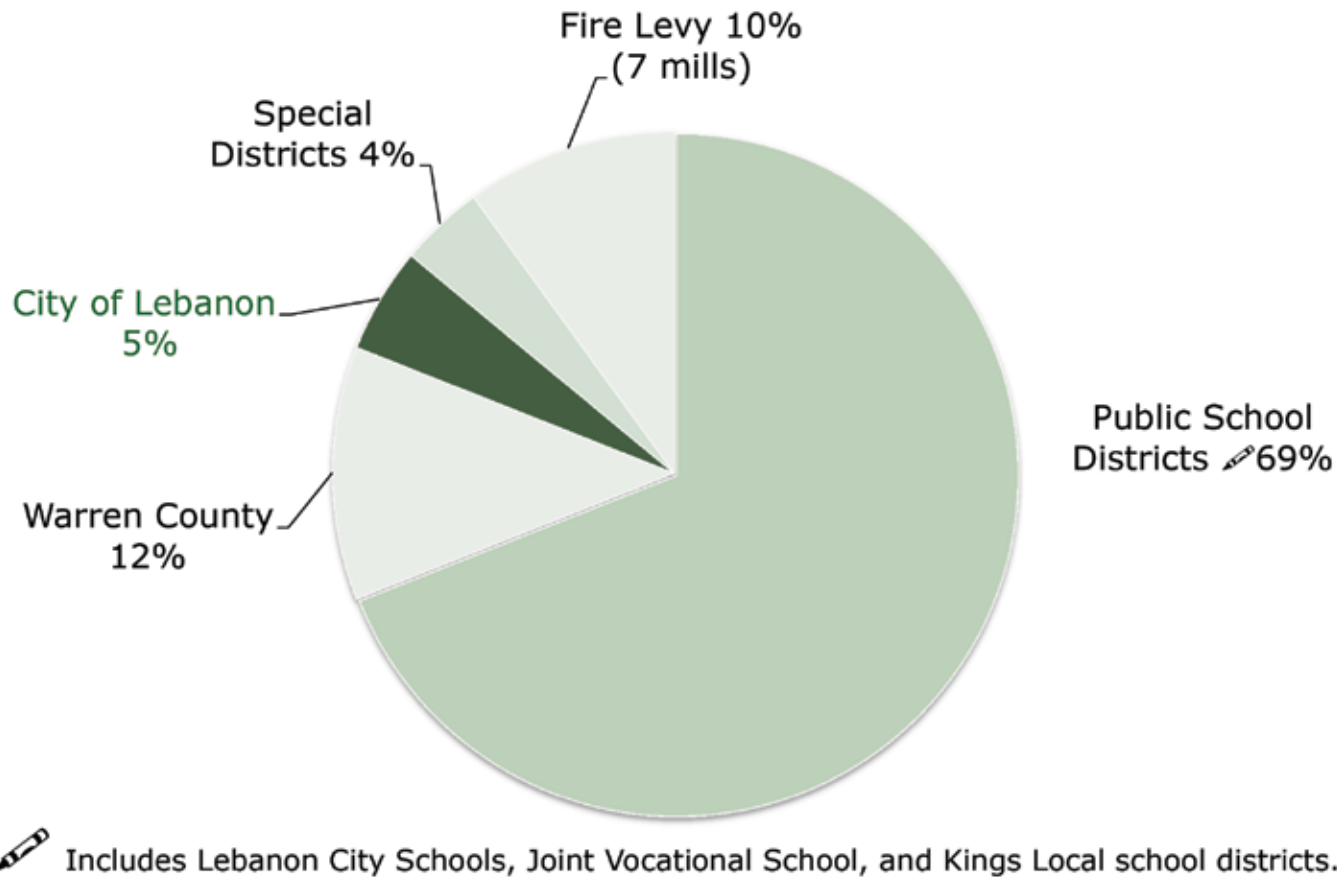
All additional revenue collected from the reduction in the tax credit will be placed in the City’s Capital Improvement Fund and used to address the City’s extensive backlog of critical roadway maintenance requirements.

It is important to note that non-wage earners, including retirees, will not be affected by the credit reduction.

Factors Contributing to Lebanon’s General Revenue Shortfall

- 1. The City’s relatively low income tax rate and full tax credit.
- 2. 50% reduction in Local Government Fund distributions from the State.
- 3. Elimination of the Estate Tax and Tangible Property Tax.
- 4. Reduction of interest revenue from cash reserves.

Where Do Your Property Taxes Go?



Why does Lebanon need more revenue for roadway maintenance?

Lebanon’s roadway maintenance requirements are funded solely with general revenue, State and Federal grants, and State revenue distributions from a portion of vehicle licensing and fuel taxes that are collected. The City is legally prevented from using other forms of revenue, such as utility usage fees, for roadway maintenance.

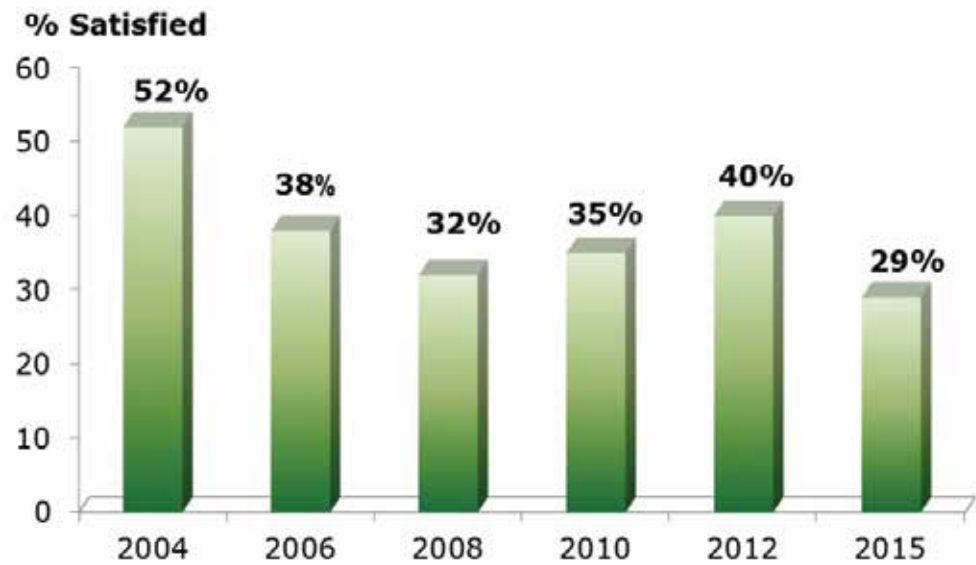
Although the City aggressively seeks and uses State and Federal grants, their availability is limited, and they can be used only for our State Routes and major thoroughfares. The maintenance of secondary and neighborhood streets is solely a local responsibility, and it is these types of streets that comprise most of the backlog of road maintenance requirements.

Lebanon maintains 110 centerline miles of roadway. Based on a typical 12-year service life of a roadway surface, the City should be resurfacing about 9 centerline miles annually in order to properly sustain the road network. Due to insufficient revenue, the City is able to resurface only about 3 centerline miles annually. Each year, the backlog of required projects increases an average of 6 centerline miles.

The City’s failure to perform the required amount of maintenance will continue to result in worsening driving conditions and higher long-term costs resulting from the increased need to perform costly roadway base repairs caused by damage from water infiltration and deterioration of the soils supporting the roadways. In order to support the required level of annual roadway maintenance, funding for the program needs to be increased by \$1.5 million annually.

The community is telling us that it is not satisfied with the condition of our roadways. The following chart provides the results of the 6 Customer Satisfaction Surveys conducted since 2004.

Customer Satisfaction Ratings for Roadway Conditions



Detailed information about the City’s roadway maintenance program can be found in the 5-Year Capital Improvement Plan located on the City’s website.

www.lebanonohio.gov